

FUND ACCOUNTING

Gallatin County maintains accounts in accordance with fund accounting principles to ensure that limitations and restrictions on the County's available resources are observed and adhered to. Fund accounting classifies resources into account groups with respect to the intended activities or objectives specified by those resources for accounting controls and financial reporting purposes. Each fund is an independent fiscal and accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting mechanisms used to compile certain assets and liabilities of the governmental funds that are not directly recorded in those funds.

A **FUND** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The most common reason for having a fund is to account for restricted revenue or to comply with state or federal law.

There is no limit to the number of funds that a government may establish and maintain for accounting and financial reporting. A generally practiced governmental accounting guideline is that a government should use the smallest number of individual funds as possible, consistent with its particular circumstances, and that individual funds are closed when its intended purpose no longer exists.

An **ACCOUNT** is an organizational or budgetary breakdown found within county funds. Each department serves a specific function as a distinct organizational unit of government within the given fund. Its primary purpose is organizational and budgetary accountability.

An **OBJECT OF EXPENDITURE** refers to specific, detailed expenditure classification. It relates to a specific type of item purchased or service obtained. Examples of objects of expenditure include salaries, supplies, contracted services, travel, etc.

The county's financial operations and fund structure adhere to generally accepted accounting principles. Funds are grouped under governmental funds, proprietary funds, and fiduciary fund types. The county's fund structure is comprised of the following funds, all of which are budgeted.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the county are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the county's governmental fund types:

General Fund — accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the County's primary operating fund.

Special Revenue Funds — account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include: Public Safety Fund, Road Fund, Bridge Fund, and City/County Health.

Capital Project Funds — account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.) Examples include: Open Space Acquisition, CTEP Projects, and TSEP Projects.

Debt Service Funds — account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

FINANCIAL STRUCTURE

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The county uses the following proprietary funds.

Enterprise Funds — account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples include: Gallatin Rest Home, Logan Landfill, and West Yellowstone/Hebgen Refuse District.

Internal Service Funds — account for the financing of goods or services provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Examples include: motor pool, employee health insurance, and facilities.

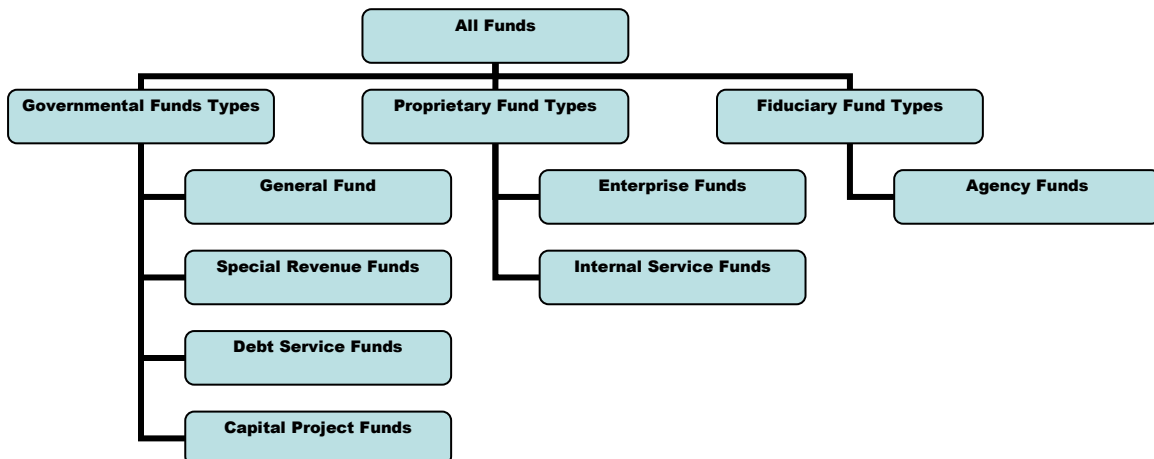
FIDUCIARY FUND TYPES

Trust and Agency Funds: Trust and agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Examples include: fire districts, fire service areas, and school districts.

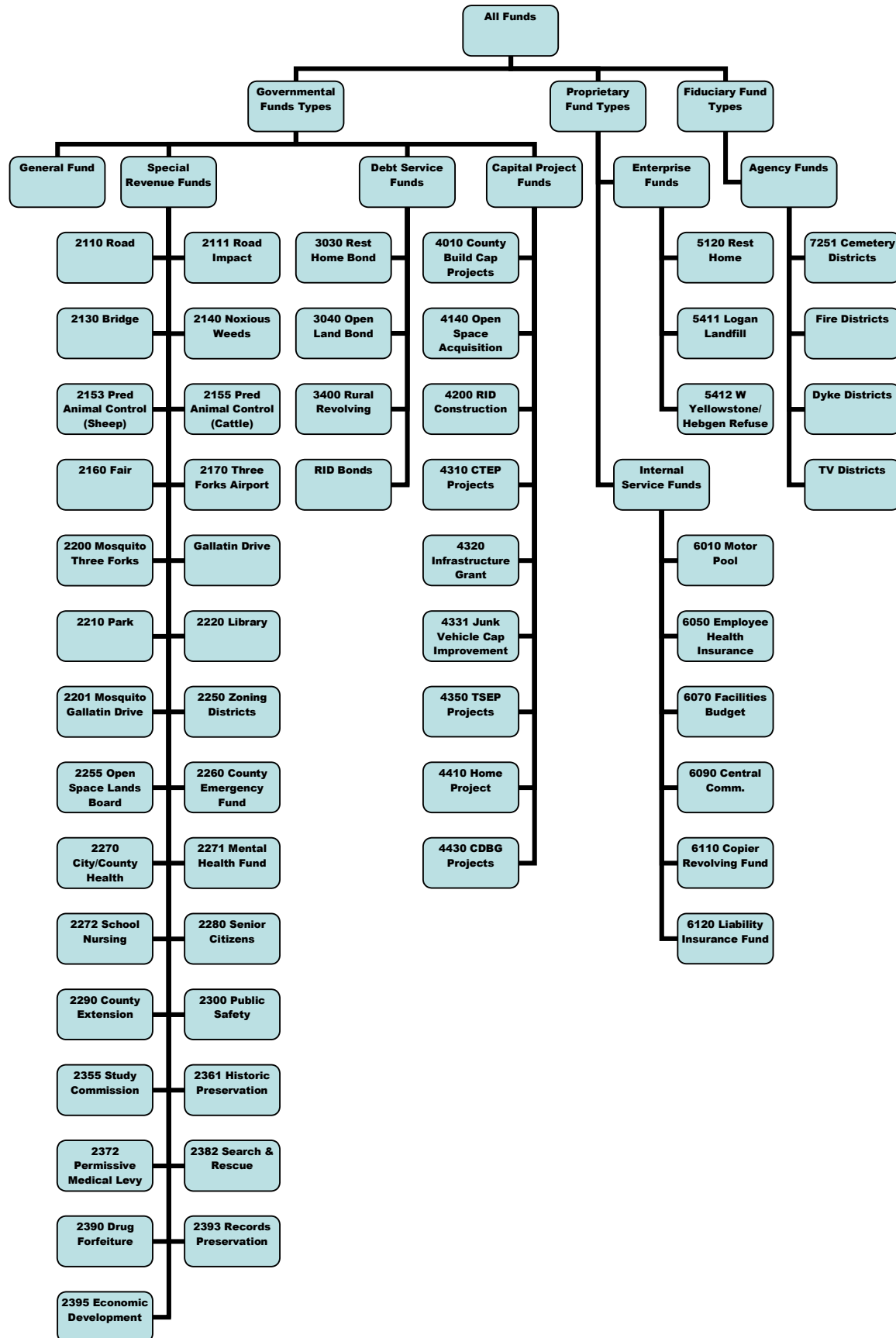
CONSISTENCY WITH AUDITED FINANCIAL STATEMENTS

Gallatin County's budgeted funds are consistent with the County's audited financial statements.

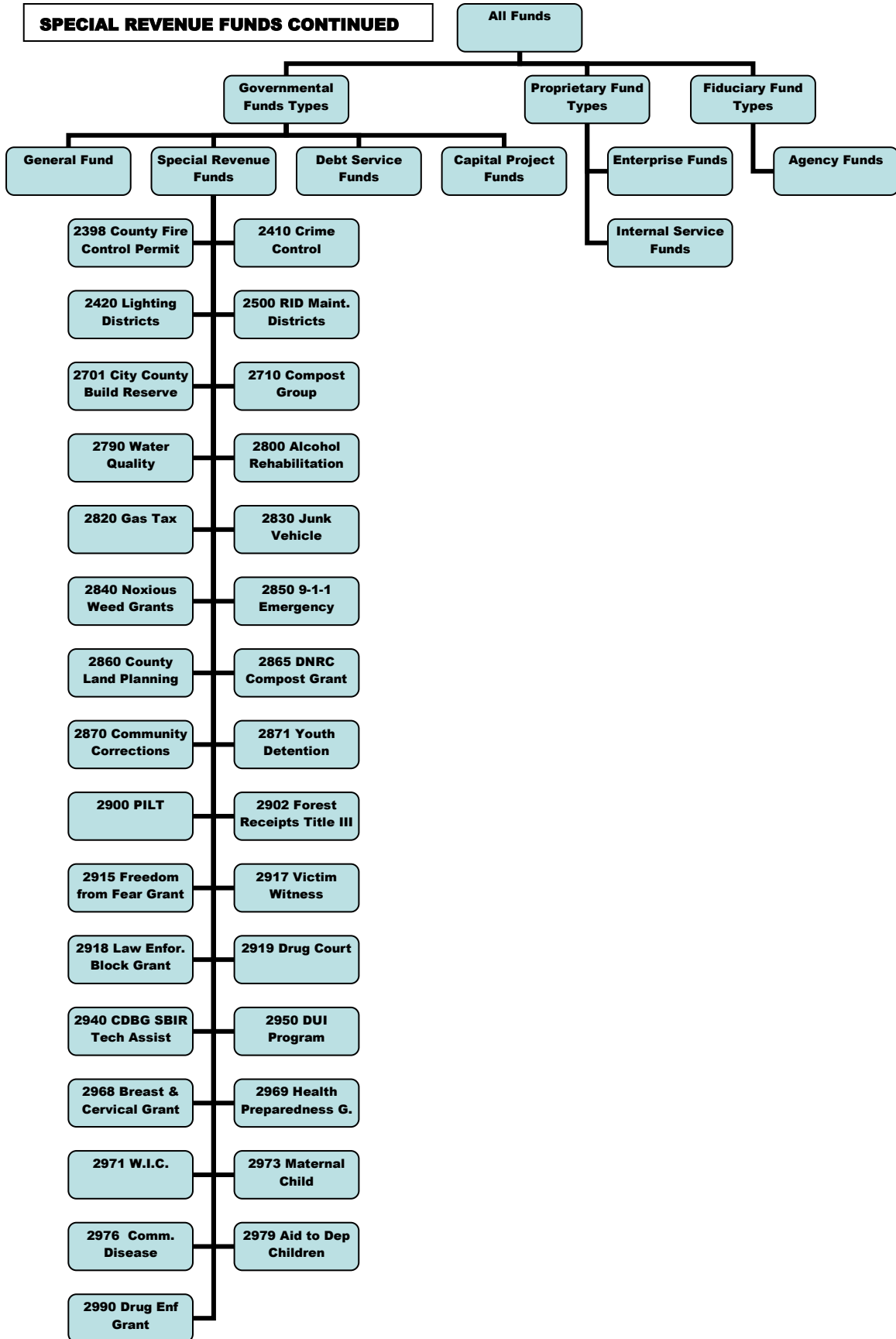
Shown below is a graphic summary of the County's fund Structure. The following two pages provide a detailed organizational graphic presentation of each of the County's funds.



FINANCIAL STRUCTURE



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DEPARTMENTS, FUNCTION/ACTIVITIES/PROGRAMS

PURPOSE

The organizational units set forth in this section of the Budget represent the County's reporting of service delivery and allows the County to accomplish the following:

- Establish policies and goals that define the nature and level of service to be provided.
- Identify activities performed in delivering program services.
- Set objectives for improving delivery of services.
- Appropriate the resources required to perform activities and accomplish objectives.

ACCOUNT ORGANIZATION

The county's operating expenditures are organized into the following hierarchical categories:

- Fund
- Department
- Function/Activity/Division

DEPARTMENTS

Departments represent a grouping of related programs within a functional area such as Sheriff's Office within the broad functional area of Public Safety.

FUNCTION

Function represents the highest level of summarization used in the County's operating structure. Functions are a grouping of relating operations and programs that may cross organizational (departmental) boundaries. Functions are aimed at accomplishing a broad goal or delivering a major service. The five functions in the county's operating structure are:

- General Government
- Public Safety
- Public Works
- Public Health
- Recreation & Other

ACTIVITY / DIVISION

Activity /Divisions of a Department are the specific services and task performed in the pursuit of its objectives and goals.

Example:

Fund:	Public Safety	2300
Department:	Sheriff	209
Function:	Public Safety	42
Activity:	Law Enforcement	01
Division:	Administration	10

SUMMARY:

2300-209-42-01-10